

Service Date: July 6, 1995

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the MONTANA)	UTILITY DIVISION
POWER COMPANY=S Request for)	
an Accounting Order to Accrue)	DOCKET NO. 95.3.6
and Defer Costs Resulting from a)	
Workforce Reduction.)	ORDER NO. 5835a

Accounting Order

1. On March 28, 1995, the Commission issued Order No. 5835 in this Docket. That order granted the Montana Power Company (MPC) authority to defer up to \$2.1 million of workforce reduction costs and benefits for a period not to exceed two years from March 28, 1995. That order stated:

As other areas of the Company are studied, MPC may identify additional costs associated with further workforce reductions, if that is the case, MPC may request additional Accounting Orders in this Docket.

2. On May 22, 1995, MPC filed a letter with the Public Service Commission (PSC or Commission) which indicated that MPC had raised its estimate of costs associated with the workforce reduction from \$1.9 million to \$4,389,344. The additional expenses are related to two items: 1) the revised estimate includes G.O. Accounting, Energy Services and Division Management and 2) voluntary severance in the amount of \$1,317,844. The voluntary severance includes actual severance costs from January 1, 1995, to May 16, 1995, as well as an estimate entitled "Applied for Severance."

3. MPC will incur costs and benefits primarily for employee reductions in the Division Accounting, Customer Accounting, G.O. Accounting, Energy Services and Division Management areas. MPC requests that the Commission allow MPC to accumulate and defer these costs to provide a better match between costs and benefits.

4. MPC understands that if the Commission issues the requested Accounting Order, MPC has the full burden of proof to demonstrate that such costs and benefits are properly included in the revenue requirement determination in subsequent rate proceedings.

5. Absent such an accounting order the costs and benefits would be reflected in income statement accounts as they occur. A mismatch of costs to benefits may occur. MPC's current estimate of the costs associated with this workforce reduction for the areas of division and customer accounting is \$4,389,344. Thus, MPC under this Accounting Order is authorized to accumulate costs up to \$4,389,344. This authority is in lieu of and not in addition to the authority granted MPC in Order No. 5835. In approving this Accounting Order, the Commission does so with the understanding that the total benefits of the workforce reduction will exceed the total costs.

6. In addition to producing labor savings, workforce reductions can have adverse effects on customer service. The Commission expects the management of MPC to ensure that customer service is not adversely affected by this workforce reduction.

7. This Accounting Order is to be effective for a period not to exceed two years. Should MPC desire to continue the deferral beyond the two year period, resubmission of the request and an explanation of why further deferral consideration should be granted will be necessary.

8. Approval of this Accounting Order is for accounting purposes only. This Order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for workforce reduction costs or benefits, or an approval of either the actual numbers involved, the accounting method used, or the assumptions underlying those numbers. Most importantly, this Order does not imply or direct in any fashion that workforce reduction costs and benefits deferred pursuant to this Order will be at any time reflected in rates.

Conclusions of Law

1. The Montana Power Company is a public utility furnishing electric and natural gas service to consumers in the State of Montana, subject to the supervision, regulation and control of this Commission. Title 69, Chapter 3, MCA, § 69-3-102, MCA.

Order

1. The Commission authorizes Accounting Deferral for costs and benefits resulting from a workforce reduction. Up to \$4,389,344 of workforce reduction costs may be accumulated for a period not to exceed two years from the date of this Order. This amount is expected by the Commission to be more than offset by corresponding deferred and current period benefits so that when rate treatment is requested, an annual net revenue requirement reduction will result.

2. This Order is effective on issuance.

DONE AND DATED at Helena, Montana this 5th day of July, 1995,
by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.